



**REPORT
 HIGHLIGHTS**
 SINGLE AUDIT

Subject

Maricopa County spent \$115.7 million of federal monies this past year for 132 programs. The largest federal grants were for housing and community development, child development, healthcare, job training, and nutrition. In return, the County must be accountable for its use of both federal and state monies, maintain strong internal controls, and comply with federal program requirements.

Our Conclusion

The County maintained adequate internal controls for seven of the ten federal programs tested and complied with federal compliance requirements for eight programs. However, auditors found material internal control weaknesses for three programs and material noncompliance with program requirements for two programs. See pages 2 and 3 for further information.

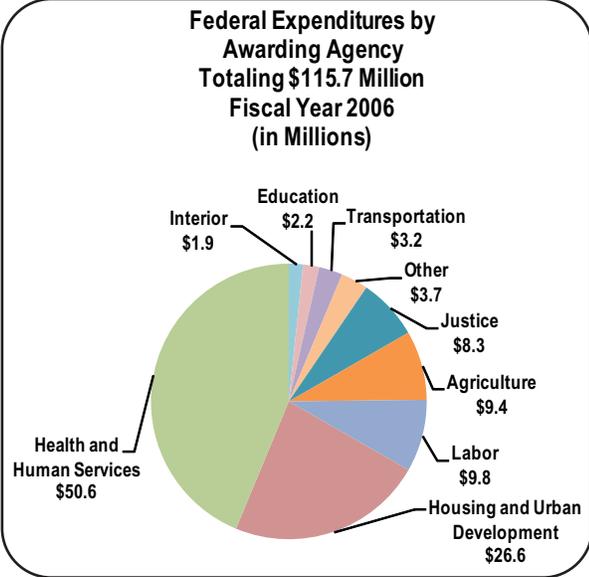


2006

Year Ended June 30, 2006

The County Experienced an Increase in Federal Award Expenditures

Overall, county expenditures of federal award monies increased by \$6 million, or 5.5 percent, from the \$109.7 million expended in fiscal year 2005. The largest increases were for programs funded by the U.S. Department of Housing and Urban Development, U.S. Department of Labor, and U.S. Department of Justice. Combined expenditures from these three grantors increased by \$7 million from the prior year.



Single Audit Report Was Issued Late

The County's single audit report for the year ended June 30, 2006, was issued 8 months after the federal reporting deadline of March 31, 2007. The late issuance resulted from deficiencies in internal control over financial reporting for the County's health plan, which

caused a 10-month delay in the issuance of the County's fiscal year 2006 Comprehensive Annual Financial Report (CAFR). Audited financial statements are a required component of the single audit reporting package.

The County Did Not Always Comply with Federal Program Requirements

Auditors identified and tested ten federal programs under the guidelines established by the Single Audit Act. Audit tests included evaluating the County's compliance with each program's federal regulations generally related to expenditures, subrecipient monitoring, and reporting. Auditors noted internal control weaknesses and instances of noncompliance with program requirements for seven of the programs tested. Material deficiencies in

internal control and noncompliance were noted for the Community Services Block Grant and the Twenty-First Century Community Learning Centers programs. In addition, for the Head Start program, a material internal control weakness was noted with the program's suspension and debarment requirements. However, auditors found no instance of noncompliance.

Summary of Internal Control Weaknesses and Instances of Noncompliance

Program	Responsible Department	Type of Compliance Requirement					
		Activities ¹	Costs ²	Cash ³	Eligibility ⁴	Suspension ⁵	Special ⁶
21st CCLC	Superintendent of Schools	X	X	X			
Immunization Grants	Public Health				X		
HIV Emergency Relief Project Grants	Public Health		X				
LIHEAP	Human Services				X		
CSBG	Human Services		X				
Head Start	Human Services		X			X	
Section 8 Housing Choice Vouchers	Housing Authority						X

21st CCLC–Twenty-First Century Community Learning Centers
 LIHEAP–Low-Income Home Energy Assistance Program
 CSBG–Community Services Block Grant

¹Activities: Federal monies may have been expended for unallowable activities.

²Costs: Payroll charges were not supported by personal activity reports or semiannual certifications.

³Cash: Pass-through entities procedures were not followed.

⁴Eligibility: Benefits may have been awarded to ineligible participants.

⁵Suspension: Suspension and debarment certifications were not retained.

⁶Special: Special program requirements were not complied with.

Twenty-First Century Community Learning Centers Program

Four material deficiencies in internal control were noted for the Twenty-First Century Community Learning Centers program administered by the Superintendent of Schools. As a result, the County did not comply, in all material respects, with three of the program's five compliance requirements. Specifically, auditors reported the following as material weaknesses and material noncompliance:

- The Twenty-First Century Community Learning Centers program requires that learning centers provide assistance to students during nonschool hours or periods when school is not in session. The Superintendent's Office did not have adequate internal control policies or procedures to ensure that learning centers complied with this requirement. Specifically, invoices submitted by the learning centers to the Superintendent's Office for reimbursement were not always supported by properly completed timesheets, resulting in a questioned cost of \$35,205.
- The Superintendent's Office lacked adequate internal controls for preparing and retaining supporting documentation for program purchases. Specifically, the Superintendent's Office had no supporting documentation for 3 of 14 expenditure transactions tested that totaled \$2,704. As a result, the Superintendent's Office could not demonstrate that costs were spent on allowable activities.
- The Superintendent's Office did not require its employees to provide semiannual certifications or monthly personnel activity distribution reports for the time spent working on the Twenty-First Century Community Learning Centers program. As a result, the Superintendent's Office could not demonstrate that employees' salaries and wages totaling \$27,141 were proper and allowable charges to the program.
- The Superintendent's Office did not have adequate policies and procedures in place to ensure that program expenditures were properly recorded in its financial system, and it did not maintain documentation to support its cash management reports. In addition, its cash management reports were not always filed within required timelines.

Single Audit Fact Sheet

- Two material weaknesses in financial reporting internal control.
- Twelve weaknesses in federal compliance internal control—six of these were material internal control weaknesses.
- Twelve violations of federal compliance requirements—five of these were material noncompliance.
- Program costs totaling \$65,610 were questioned as a result of our audit.



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A copy of the full report
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Maricopa County

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